

INTERNAL REVENUE SERVICE
District Director
2 Campana Circle
Monterey Park, CA 91754

Department of the Treasury

Date: AUG 11 1997

Employer Identification Number: [REDACTED]

Document Locator Number: [REDACTED]

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Dear Applicant:

We have considered your application for exemption as an organization described in section 501(c)(10) of the Internal Revenue Code.

The information submitted discloses that you were incorporated [REDACTED] The purposes for which your organization was formed are as follows:

"The corporation intends to embrace the image of the [REDACTED] and itself; provide for interaction between retired members of the [REDACTED] across the Nation for professional development; provide a forum between retired members of the [REDACTED] and the [REDACTED] provide a means of obtaining assistance for retired members of the [REDACTED] when needed."

The purposes, per your application, Form 1024, are as follows:

1. To get as many retired, sworn, [REDACTED] personnel as possible to join the association.
2. Maintain contact and an open line of communication with headquarters of the [REDACTED] so the association may keep retired members apprised of benefits they may be entitled to and to intercede on members' behalf if they are not receiving these entitlements.
3. Build a data bank of information relating to abilities and skills of members so those agencies or businesses that have a periodic need for that skill or ability have a source from which to obtain and fill that need.
4. We hope to eventually build our membership to a level so assistance to members or their families may be provided as needed.
5. We hope to eventually become a voice for our members when or if they as a group need a voice.
6. This association was founded to promote a social and fraternal brotherhood amongst the retired members of [REDACTED]

FACTS:

Your membership is open to men and women who formerly served as [REDACTED] any where in the United States. There are three classes of membership: voting, non-voting and honorary membership. Members pay yearly dues of \$[REDACTED]. For their dues, members receive a copy of [REDACTED] which is a newsletter published by [REDACTED]. You plan to have a yearly conference, the first one occurred on [REDACTED].

You receive a majority of your income from member dues. There are currently [REDACTED] members from all parts of the United States.

You are not organized under a lodge system, nor are you part of a fraternal organization. You indicated that some members were former members of a union while employed by [REDACTED]. However, they are not currently members of that union.

You are not currently providing financial assistance to your members but as membership increases and more funds are available, you may provide assistance to members in need.

You indicated, in response to questions regarding your data bank, that the data bank can be used by members who currently own businesses and are looking for help on a short-term basis. The members can call on other members for short-term work assignments. The services provided are generally in [REDACTED].

ISSUE:

Does the organization qualify for tax-exempt status as an organization described in section 501(c)(10) of the Code?

LAW:

Section 501(c)(10) of the Code exempts from Federal income tax, "domestic fraternal societies, orders, or associations, operating under the lodge system, (A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and (B) which do not provide for the payment of life, sick, accident or other benefits."

Section 501(c)(8) of the Code also exempts from Federal income tax fraternal beneficiary societies who provide for the payment of life, sick, accident, or other benefits to the members and their dependents. However, there is no requirement that the earnings of a 501(c)(8) fraternal organization be devoted to charitable and fraternal purposes as required of organizations exempt under section 501(c)(10). Both organizations must be operated under a lodge system.

A fraternal beneficiary society is exempt from tax only if it operates under the lodge system or for the exclusive benefit of members operating under a lodge system.

[REDACTED]

The Regulations under section 1.501(c)(8)-1(a) state:
"Operating under the lodge system means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization, and largely self-governing, called lodges, chapters, or the like."

Revenue Ruling 73-192, 1973-1 C.B. 224 holds that organizations are considered to operate under the lodge system only when they have a parent or local organization which are active.

Revenue Ruling 55-495, 1955-2 C.B. 259, holds that an organization which does not have a parent organization or subordinate branches does not qualify under section 501(c)(8) because it does not operate under the lodge system.

ANALYSIS:

All of the preceding Code sections, Regulation sections and Revenue Rulings describe the criteria under which an organization may be exempt under sections 501(c)(8) and 501(c)(10) of the Code as a fraternal beneficiary society. Both sections of the Code require that an organization operate under a lodge system as defined in the Regulations. IRC section 501(c)(10) also requires that an organization devote its net earnings to certain charitable and fraternal purposes but which do not provide benefits to members.

Your organization does not consist of individuals who are members of a fraternity operating under a lodge system. Your organization is operated almost exclusively for the benefit of its members. It does not appear that the net earnings of your organization are devoted to any charitable, religious, scientific, or educational purposes are required by section 501(c)(10) of the Code. Your net earnings are devoted almost exclusively for the benefit of your members.

CONCLUSION:

To be considered for tax exempt status under section 501(c)(10) of the Code, an organization must be operated under a lodge system and its net earnings must be devoted to religious, charitable, scientific, literary, educational, and fraternal purposes.

It is the position of the Internal Revenue Service, based on the information submitted, that you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(10) of the Code, inasmuch as you are not operating under a lodge system and your net earnings are not devoted to charitable, religious, educational, scientific, literary or fraternal purposes.

Consideration was also given to your organization under section 501(c)(8) of the Code. As the requirements of a section 501(c)(8) are the same as section 501(c)(10) in regards to operating under a lodge system, we determined that you are not entitled to exemption from Federal income tax under either section of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practice requirements.

If we do not hear from you within 30 days, this ruling will become final, and copies of it will be forwarded to your District Director. Thereafter, any questions about your Federal income tax status or the filing of tax returns should be addressed to that office. Also, the appropriate State officials will be notified of this action.

If you have any questions, please contact the person whose name appears on the heading of this letter.

Sincerely,


Steven A. Jansen
District Director

Enclosures:
Form 6018
Publication 892

Department of the Treasury-Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Prepare In
Duplicate

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

Name and Address of Organization

AUG 11 1997

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

☒ Denial of exemption

☐ Revocation of exemption, effective

☐ Modification of exempt status from section 501(c)() to 501(c)(), effective

☐ Classification as a private foundation (section 509(a)), effective

☐ Classification as a non-operating foundation (section 4942(j)(3)), effective

☐ Classification as an organization described in section 509(a)(), effective

☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions are on the back of this form.)

Name of Organization

Signature and Title

Date

Signature and Title

Date